



**MERCER COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-90
September 20, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Mercer, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Mercer County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- Mercer County collected \$52,541 in excess property taxes through December 31, 2000. Mercer County voters enacted a half cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. The General Revenue property tax levy was not reduced sufficiently.

Based upon sales tax revenue amounts for the first six months of 2001 the General Revenue property tax levy would have to be reduced by 21 cents to eliminate all excess property tax revenues collected from prior years and comply with the sales tax proposal passed by the voters. The County Commission indicated they plan a levy reduction of 12 cents for 2001; however, this proposed reduction will only offset 2001 requirements, but will not reduce excess property taxes from prior years.

- The county does not have adequate procedures in place to track federal awards for preparation of the schedule of expenditures of federal awards. The county prepared a schedule for the years ended December 31, 2000 and 1999; however, the schedule contained a number of errors and omissions. Without an accurate schedule, federal financial activity may not be audited and reported in accordance with federal audit requirements, which could result in future reductions of federal funds.

(over)

YELLOW SHEET

- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Mercer county's Associate County Commissioners salaries were each increased approximately \$6,065.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$12,130, for the two years ended December 31, 2000, should be repaid. In light of the ruling, any raises given to other officials within their term of office should be re-evaluated for propriety.

- Duplicate payments were made on several invoices totaling approximately \$16,000 during the two years ended December 31, 2000. This resulted because billing statements were not always reconciled to invoices prior to payment nor was the expenditure system checked to ensure payment had not already been made.
- The general fixed asset listing has not been updated nor has a physical inventory been completed since 1995. Examples of items purchased which are not included on the fixed asset listing include a truck costing approximately \$22,000, a mower costing \$25,000, excavating equipment costing approximately \$123,000 and a brush sheer costing \$4,500.

The audit also includes some matters related to expenditures, bidding procedures, computer system controls, County Commission minutes, revenue maximization, Sheriff accounting controls and procedures, and Ex-Officio County Collector procedures, upon which the county should consider and take appropriate corrective action. Several of these issues had been noted in prior audits.

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Mercer County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Mercer County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Mercer County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Mercer County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Mercer County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1,

which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 28, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Mercer County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

June 28, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Lonnie Breeding III
Audit Staff:	Terese Summers, CPA
	Julie Vollmer
	Shantaye Atkinson



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Mercer County, Missouri

We have audited the special-purpose financial statements of various funds of Mercer County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 28, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Mercer County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Mercer County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Mercer County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 28, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

MERCER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 150,242	591,629	606,797	135,074
Special Road and Bridge	56,924	1,196,576	1,113,668	139,832
Assessment	3,540	64,817	59,987	8,370
Law Enforcement Training	281	2,512	2,338	455
Prosecuting Attorney Training	(30)	384	177	177
Recorder's User Fees	5,517	2,172	687	7,002
Prosecuting Attorney Delinquent Tax	150	3	0	153
Prosecuting Attorney Bad Check	665	4,647	4,870	442
Health Center	28,625	238,136	235,363	31,398
Circuit Clerk Interest	356	110	34	432
Associate Circuit Interest	442	127	425	144
Law Library	317	2,559	2,771	105
CDBG Project	0	55,717	51,126	4,591
Sheriff Special Fund	2,326	5,498	5,668	2,156
Domestic Violence	0	170	170	0
Total	\$ 249,355	2,165,057	2,084,081	330,331

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MERCER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 125,130	564,795	539,683	150,242
Special Road and Bridge	500,177	541,026	984,279	56,924
Assessment	4,818	70,523	71,801	3,540
Law Enforcement Training	898	2,237	2,854	281
Prosecuting Attorney Training	90	371	491	(30)
Recorder's User Fees	6,841	3,858	5,182	5,517
Prosecuting Attorney Delinquent Tax	146	4	0	150
Prosecuting Attorney Bad Check	1,221	4,308	4,864	665
Health Center	26,399	255,905	253,679	28,625
Circuit Clerk Interest	339	251	234	356
Associate Circuit Interest	384	58	0	442
Law Library	315	1,997	1,995	317
Economic Development Administration	0	138,108	138,108	0
Sheriff Special	0	4,254	1,928	2,326
Domestic Violence	0	205	205	0
Total	\$ 666,758	1,587,900	2,005,303	249,355

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

Year Ended December 31,						
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 2,006,575	2,103,672	97,097	1,875,194	1,445,333	(429,861)
DISBURSEMENTS	2,146,307	2,027,117	119,190	2,277,576	1,865,062	412,514
RECEIPTS OVER (UNDER) DISBURSEMENTS	(139,732)	76,555	(22,093)	(402,382)	(419,729)	(842,375)
CASH, JANUARY 1	233,162	247,029	13,867	666,758	666,758	0
CASH, DECEMBER 31	93,430	323,584	230,154	264,376	247,029	(17,347)
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	174,000	173,489	(511)	165,000	171,974	6,974
Sales taxes	220,000	249,477	29,477	234,500	217,105	(17,395)
Intergovernmental	61,000	65,958	4,958	79,668	58,436	(21,232)
Charges for services	51,800	43,998	(7,802)	42,600	50,517	7,917
Interest	5,200	5,455	255	7,500	5,162	(2,338)
Other	28,267	19,938	(8,329)	23,095	32,768	9,673
Transfers in	28,000	33,314	5,314	24,000	28,833	4,833
Total Receipts	568,267	591,629	23,362	576,363	564,795	(11,568)
DISBURSEMENTS						
County Commission	58,986	59,472	(486)	59,686	58,774	912
County Clerk	50,433	50,438	(5)	48,504	49,465	(961)
Elections	16,200	17,125	(925)	6,350	5,457	893
Buildings and grounds	49,180	56,984	(7,804)	49,970	47,494	2,476
Employee fringe benefits	59,040	55,421	3,619	37,100	30,619	6,481
County Treasurer	27,880	27,907	(27)	27,680	26,885	795
Circuit Clerk	7,720	4,031	3,689	7,010	5,736	1,274
Associate Circuit Court	6,025	4,252	1,773	4,850	3,769	1,081
Court administration	924	919	5	2,092	637	1,455
Public Administrator	11,405	12,430	(1,025)	10,576	11,393	(817)
Sheriff	186,017	180,849	5,168	161,604	159,483	2,121
Jail	11,600	16,542	(4,942)	12,600	7,518	5,082
Prosecuting Attorney	52,007	51,309	698	51,016	51,016	0
Juvenile Officer	13,970	3,599	10,371	16,455	9,657	6,798
County Coroner	4,230	4,230	0	4,230	4,230	0
Township collectors	2,500	2,611	(111)	2,000	1,983	17
Court Reporter	750	639	111	700	224	476
Other	25,560	27,848	(2,288)	24,600	32,992	(8,392)
University Extension	20,000	20,000	0	20,000	19,500	500
Insurance	10,000	10,191	(191)	13,000	12,851	149
Emergency Fund	11,365	0	11,365	17,290	0	17,290
Total Disbursements	625,792	606,797	18,995	577,313	539,683	37,630
RECEIPTS OVER (UNDER) DISBURSEMENTS	(57,525)	(15,168)	42,357	(950)	25,112	26,062
CASH, JANUARY 1	136,375	150,242	13,867	125,130	125,130	0
CASH, DECEMBER 31	78,850	135,074	56,224	124,180	150,242	26,062

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	24,200	24,138	(62)	38,000	24,437	(13,563)
Intergovernmental	1,015,000	1,093,432	78,432	860,900	480,997	(379,903)
Charges for services	16,481	16,481	0	6,184	6,184	0
Interest	5,000	7,485	2,485	30,000	25,380	(4,620)
Other	1,519	3,914	2,395	35,216	4,028	(31,188)
Transfers in	66,000	51,126	(14,874)	0	0	0
Total Receipts	1,128,200	1,196,576	68,376	970,300	541,026	(429,274)
DISBURSEMENTS						
Salaries	112,986	98,941	14,045	104,104	99,116	4,988
Employee fringe benefits	28,900	23,088	5,812	28,200	21,566	6,634
Supplies	49,400	41,565	7,835	60,050	32,059	27,991
Insurance	7,000	5,568	1,432	10,000	4,756	5,244
Road and bridge materials	297,000	315,407	(18,407)	328,000	296,625	31,375
Equipment repairs	12,000	14,553	(2,553)	15,000	34,610	(19,610)
Rentals	3,000	260	2,740	3,500	1,586	1,914
Equipment purchases	57,000	63,570	(6,570)	62,000	58,274	3,726
Contract labor	1,000	385	615	10,000	1,447	8,553
Bridge projects	586,000	517,017	68,983	700,000	405,407	294,593
Transfers out	30,000	33,314	(3,314)	39,626	28,833	10,793
Total Disbursements	1,184,286	1,113,668	70,618	1,360,480	984,279	376,201
RECEIPTS OVER (UNDER) DISBURSEMENTS	(56,086)	82,908	138,994	(390,180)	(443,253)	(53,073)
CASH, JANUARY 1	56,924	56,924	0	500,177	500,177	0
CASH, DECEMBER 31	838	139,832	138,994	109,997	56,924	(53,073)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	70,350	64,468	(5,882)	68,400	70,085	1,685
Interest	430	349	(81)	650	438	(212)
Total Receipts	70,780	64,817	(5,963)	69,050	70,523	1,473
DISBURSEMENTS						
Assessor	72,682	59,987	12,695	72,359	71,801	558
Total Disbursements	72,682	59,987	12,695	72,359	71,801	558
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,902)	4,830	6,732	(3,309)	(1,278)	2,031
CASH, JANUARY 1	3,540	3,540	0	4,818	4,818	0
CASH, DECEMBER 31	1,638	8,370	6,732	1,509	3,540	2,031

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,495	1,540	45	1,525	1,467	(58)
Interest	15	10	(5)	18	16	(2)
Other	750	962	212	555	754	199
Total Receipts	2,260	2,512	252	2,098	2,237	139
DISBURSEMENTS						
Sheriff	2,500	2,338	162	2,890	2,854	36
Total Disbursements	2,500	2,338	162	2,890	2,854	36
RECEIPTS OVER (UNDER) DISBURSEMENTS	(240)	174	414	(792)	(617)	175
CASH, JANUARY 1	281	281	0	898	898	0
CASH, DECEMBER 31	41	455	414	106	281	175
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	371	384	13	356	368	12
Interest	3	0	(3)	6	3	(3)
Total Receipts	374	384	10	362	371	9
DISBURSEMENTS						
Prosecuting Attorney	340	177	163	300	491	(191)
Total Disbursements	340	177	163	300	491	(191)
RECEIPTS OVER (UNDER) DISBURSEMENTS	34	207	173	62	(120)	(182)
CASH, JANUARY 1	(30)	(30)	0	90	90	0
CASH, DECEMBER 31	4	177	173	152	(30)	(182)
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charge for services	3,400	2,034	(1,366)	3,650	3,698	48
Interest	150	138	(12)	175	160	(15)
Total Receipts	3,550	2,172	(1,378)	3,825	3,858	33
DISBURSEMENTS						
Ex Officio Recorder of Deeds	5,200	687	4,513	5,000	5,182	(182)
Total Disbursements	5,200	687	4,513	5,000	5,182	(182)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,650)	1,485	3,135	(1,175)	(1,324)	(149)
CASH, JANUARY 1	5,517	5,517	0	6,841	6,841	0
CASH, DECEMBER 31	3,867	7,002	3,135	5,666	5,517	(149)

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY DELINQUENT</u>						
<u>TAX FUND</u>						
RECEIPTS						
Interest	4	3	(1)	3	4	1
Other	0	0	0	10	0	(10)
Total Receipts	4	3	(1)	13	4	(9)
DISBURSEMENTS						
Prosecuting Attorney	100	0	100	100	0	100
Total Disbursements	100	0	100	100	0	100
RECEIPTS OVER (UNDER) DISBURSEMENTS	(96)	3	99	(87)	4	91
CASH, JANUARY 1	150	150	0	146	146	0
CASH, DECEMBER 31	54	153	99	59	150	91
<u>PROSECUTING ATTORNEY BAD</u>						
<u>CHECK FUND</u>						
RECEIPTS						
Charges for services	4,300	4,624	324	3,650	4,277	627
Interest	40	23	(17)	42	31	(11)
Total Receipts	4,340	4,647	307	3,692	4,308	616
DISBURSEMENTS						
Prosecuting Attorney	4,955	4,870	85	4,605	4,864	(259)
Total Disbursements	4,955	4,870	85	4,605	4,864	(259)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(615)	(223)	392	(913)	(556)	357
CASH, JANUARY 1	665	665	0	1,221	1,221	0
CASH, DECEMBER 31	50	442	392	308	665	357

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property Taxes	46,000	47,604	1,604	47,000	50,027	3,027
Intergovernmental	91,240	97,428	6,188	120,229	124,170	3,941
Charges for services	85,700	87,887	2,187	68,500	76,009	7,509
Interest	810	1,294	484	600	710	110
Other	2,200	3,923	1,723	3,500	4,989	1,489
Transfer In	0	0	0	7,700	0	(7,700)
Total Receipts	225,950	238,136	12,186	247,529	255,905	8,376
DISBURSEMENTS						
Salaries and employee fringe benefits	172,962	167,806	5,156	182,454	173,935	8,519
Program expenditures	19,000	23,964	(4,964)	21,900	24,624	(2,724)
Loan payments	7,000	6,795	205	6,000	13,466	(7,466)
Office expenditures	32,990	25,890	7,100	23,200	27,102	(3,902)
Maintenance and equipment	1,100	1,017	83	4,300	3,711	589
Mileage and training	7,000	5,777	1,223	9,730	8,398	1,332
Other	7,400	4,114	3,286	5,300	2,443	2,857
Total Disbursements	247,452	235,363	12,089	252,884	253,679	(795)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(21,502)	2,773	24,275	(5,355)	2,226	7,581
CASH, JANUARY 1	28,625	28,625	0	26,399	26,399	0
CASH, DECEMBER 31	7,123	31,398	24,275	21,044	28,625	7,581
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	230	110	(120)	112	231	119
Other	0	0	0	0	20	20
Total Receipts	230	110	(120)	112	251	139
DISBURSEMENTS						
Circuit Clerk	200	34	166	45	234	(189)
Total Disbursements	200	34	166	45	234	(189)
RECEIPTS OVER (UNDER) DISBURSEMENTS	30	76	46	67	17	(50)
CASH, JANUARY 1	356	356	0	339	339	0
CASH, DECEMBER 31	386	432	46	406	356	(50)

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSOCIATE CIRCUIT INTEREST FUND</u>						
RECEIPTS						
Property Taxes	0	0	0	50	0	(50)
Interest	20	127	107	0	58	58
Total Receipts	20	127	107	50	58	8
DISBURSEMENTS						
Associate Circuit Judge	200	425	(225)	100	0	100
Total Disbursements	200	425	(225)	100	0	100
RECEIPTS OVER (UNDER) DISBURSEMENTS	(180)	(298)	(118)	(50)	58	108
CASH, JANUARY 1	442	442	0	384	384	0
CASH, DECEMBER 31	262	144	(118)	334	442	108
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	2,600	2,559	(41)	1,800	1,997	197
Total Receipts	2,600	2,559	(41)	1,800	1,997	197
DISBURSEMENTS						
Law library	2,600	2,771	(171)	1,500	1,995	(495)
Total Disbursements	2,600	2,771	(171)	1,500	1,995	(495)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(212)	(212)	300	2	(298)
CASH, JANUARY 1	317	317	0	315	315	0
CASH, DECEMBER 31	317	105	(212)	615	317	(298)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

MERCER COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Mercer County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Sheriff Special Fund	2000 and 1999
Domestic Violence Fund	2000 and 1999
CDBG Project Fund	2000
Economic Development Administration Fund	1999

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Library Fund	2000 and 1999
Associate Circuit Interest Fund	2000
Prosecuting Attorney Bad Check Fund	1999
Recorder's User Fees Fund	1999
Prosecuting Attorney Training Fund	1999
Circuit Clerk Interest Fund	1999
Health Center Fund	1999

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Sheriff Special Fund	2000 and 1999
Domestic Violence Fund	2000 and 1999
Health Center Fund	2000 and 1999
CDBG Project Fund	2000
Economic Development Administration Fund	1999

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depository insurance are pledged to the county rather than to specific county officials.

Of the bank balance at December 31, 2000, \$620,931 was covered by federal depository insurance, commercial insurance provided through a surety bond, or collateral securities held by the county's custodial bank in the county's name, and \$185,647 was covered by collateral pledged by the depository bank and held by an independent bank, but not in the county's name.

Of the bank balance at December 31, 1999, \$762,250 was covered by federal depository insurance, commercial insurance provided through a surety bond, or collateral securities held by the county's custodial bank in the county's name, and \$185,092 was covered by collateral pledged by one bank and held by a correspondent bank in the name of the depository bank's customers.

The Health Center Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depository insurance.

3. Property Taxes

Through December 31, 2000, Mercer County collected \$52,541 in excess property taxes. Section 67.505, RSMo 2000, requires the county to reduce property taxes for a percentage of sales taxes collected. Mercer County voters enacted a half cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales tax collections.

Supplementary Schedule

Schedule

MERCER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-9165 ERO045-0165 ERS045-1165W	\$ 9,866	13,735
U.S. DEPARTMENT OF COMMERCE				
Direct program:				
11.300	Grants for Public Works and Economic Development	N/A	0	138,108
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	99-PF-16	51,126	0
U.S. DEPARTMENT OF JUSTICE				
Passed through Missouri Sheriff's Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	2,567	2,299
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission -				
20.205	Highway Planning and Construction	BRO 065 (16) BRO 065 (17) BRO 065 (18) BRO 065 (20) BRO 065 (21)	182,944 8,548 259,851 17,768 8,097	41,193 189,851 21,533 0 0
	Program Total		477,208	252,577
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	5,025	4,001

MERCER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.197	Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ER0146-0165CLPP ER0146-9165CLPP	206	784
93.268	Immunization Grants	N/A	8,221	7,663
		PG0064-01651MM	0	64
	Program Total		8,221	7,727
Department of Social Services -				
93.563	Child Support Enforcement	N/A	533	948
Department of Health -				
93.575	Child Care and Development Block Grant	PGA067-1165C PGA067-1165S PG0067-9165	179 250	0 350
	Program Total		429	350
93.945	Assistance Programs for Chronic Disease Prevention and Control	C100048001 C000141001	3,004	909
93.991	Preventive Health and Health Services Block Grant	N/A	94	83
93.994	Maternal and Child Health Services Block Grant to the States	N/A ERS146-1165 ERS146-0165M ER0146-9165MCH	468 11,183	414 9,258
		C100015046	1,370	413
	Program Total		13,021	10,085
	Total Expenditures of Federal Awards		\$ 571,300	431,606

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

MERCER COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Mercer County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$8,221 and \$7,663 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$94 and \$83 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$468 and \$414 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$138,108 to subrecipients under Grants for Public Works and Economic Development (CFDA number 11.300) during the year ended December 31, 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Mercer County, Missouri

Compliance

We have audited the compliance of Mercer County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Mercer County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-2.

Internal Control Over Compliance

The management of Mercer County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Mercer County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

June 28, 2001 (fieldwork completion date)

Schedule

MERCER COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? yes x no

Reportable condition identified that is
not considered to be a material weakness? yes x none reported

Noncompliance material to the financial statements
noted? x yes no

Federal Awards

Internal control over major program:

Material weakness identified? yes x no

Reportable condition identified that is
not considered to be a material weakness? x yes none reported

Type of auditor's report issued on compliance for
major program: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major program:

CFDA or Other Identifying Number	<u>Program Title</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

00-1.	County Sales Tax
--------------	-------------------------

The county has not sufficiently reduced its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by the Mercer County voters under the provisions of Section 67.505, RSMo 2000.

Following are the calculations used in determining excess property tax revenues collected for the two years ended December 31, 2000:

		Year Ended December 31,	
		2000	1999
Actual sales tax revenues	\$	124,738	102,356
Required percentage of revenue reduction	X	50%	50%
Required property tax revenue reduction		62,369	51,178
Assessed Valuation		50,032,420	46,211,758
General Revenue Fund tax levy reduction (per \$100 assessed valuation)	X	0.05	0.09
Actual property tax revenue reduction		25,016	41,591
Excess property tax revenues collected		37,353	9,587
Excess property tax revenues Collections from prior years		15,188	5,601
Excess at December 31,	\$	52,541	15,188

In addition, based upon sales tax revenue amounts for the first six months of 2001 the General Revenue property tax levy would have to be reduced by 21 cents to eliminate all excess property tax revenues collected from prior years and comply with the sales tax proposal passed by the voters. The County Commission indicated they plan a levy reduction of 12 cents for 2001; however, this proposed reduction will only offset 2001 requirements, but will not reduce excess property tax revenues from prior years.

WE RECOMMEND the County Commission reduce the county property tax levy adequately to meet the sales tax reduction requirements, including reductions for excess property taxes collected in prior years.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission will try to reduce property taxes over the next three to five years to reduce the excess collected in prior years.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

00-2.	Federal Awards
--------------	-----------------------

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-065(16), BRO-065(17), BRO-065(18), BRO-065(20), & BRO-065(21)
Award Years:	2000 and 1999
Questioned Costs:	\$28,200

- A. Section .310(b) of Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the (SEFA) to the State Auditor's office as part of the annual budget.

The county does not have adequate procedures in place to track federal awards for preparation of the SEFA. The county prepared a SEFA for the years ended December 31, 2000 and 1999; however, the schedule contained a number of errors and omissions. For example, the schedule included the county's match for some federal programs. In addition, some expenditures were reported on the SEFA in the wrong year. Other federal expenditures were misclassified and/or were not included at all. The schedule reflected total expenditures for all bridge projects without identifying the expenditures attributable to each individual bridge.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

- B. The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Off-System Bridge Replacement and Rehabilitation Program. These projects are 80 percent federally funded; however, the county also received additional federal funding of \$4,200 for this project as a result of donated soft match funds.

The county incurred engineering costs of \$30,000 for project BRO-041(18). There was no documentation that the County Commission considered other engineering firms when procuring these services.

Sections 8.289 and 8.291, RSMo 2000, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based upon specified criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located. As a result, we have questioned costs of \$28,200, which is the federal share of engineering costs paid during the two years ended December 31, 2000.

WE RECOMMEND the County Commission:

- A. And the County Clerk ensure all federal award expenditure amounts are properly recorded on the Schedule of Expenditures of Federal Awards.
- B. Resolve the questioned costs with the grantor agency. In addition, for future projects the County Commission should obtain information as required by law when contracting for professional services.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

- A. *The County Clerk will try to implement the recommendation with the 2001 SEFA.*
- B. *The County Commission will resolve this matter by September 1, 2001, and will document the consideration of other engineers on future projects.*

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

MERCER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Mercer County, Missouri, on the applicable finding in our prior audit report issued for the two years ended December 31, 1998.

98-1. Budgetary Practices

Warrants were issued in excess of approved budgeted expenditures for various funds during the two years ended in December 31, 1998.

Recommendation:

The County Commission and the Health Center not authorize warrants in excess of budgeted expenditures.

Status:

Partially implemented. Warrants were issued in excess of approved budgeted expenditures for various funds; however, the amounts were insignificant. Although not repeated in the current report, our recommendation remains as stated above.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

MERCER COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

98-2. Federal Awards

Federal Grantor:	U.S. Department of Commerce
Pass-Through Grantor:	Not applicable
Federal CFDA Number:	11.300
Program Title:	Grants for Public Works and Infrastructure Development
Pass-Through Entity	
Identifying Number:	Not applicable
Award Year:	1997 thru 1998
Questioned Costs:	\$8,476

- A. The county did not have specific procedures in place to track federal assistance for preparation of the SEFA. During the two years ended December 31, 1998 and 1997 the county over reported expenditures on their SEFA schedule by \$75,307 and \$18,140, respectively.
- B.1. The county did not establish cash management procedures to ensure the minimum time elapsed between its receipt of federal monies and the disbursement of such monies.
- 2. The county did not have documentation to support payments made to the cities from EDA grant monies. Instead, county representatives indicated that these payments were made at the direction of the Green Hills Regional Planning Commission.
- 3. Engineering inspection costs on the EDA project totaling \$37,246 were submitted to the U.S. Department of Commerce for reimbursement although actual inspection costs totaled only \$23,119. As a result, costs were over reported by \$14,127 and costs of \$8,476, or 60% of the amount over reported, were questioned.

Recommendation:

The County Commission:

- A. And the County Clerk ensure all federal award expenditure amounts are properly recorded on the Schedule of Expenditures of Federal Awards.
- B.1. Establish procedures to minimize the time between the receipt of federal monies and disbursement of such funds to comply with federal requirements.
 - 2. Retain supporting documentation for all expenditures of federal monies.
 - 3. Resolve the questioned costs with the grantor agency. In the future, the county should ensure that all requests for federal reimbursements are adequately supported by legitimate charges.

Status:

- A. Not implemented. See finding number 00-2.
- B.1. Not implemented. The federal project noted above was completed in 1999. However, excessive time delays were noted between the receipt of the federal monies and the disbursement of such monies for a grant received through the state Department of Economic Development (CFDA number 14.228, project number 99-PF-16). Although not repeated in the current report our recommendation remains as stated above.
 - 2. Implemented.
 - 3. Implemented. Questioned costs of \$8,476 were repaid by the City of Princeton.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MERCER COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Mercer County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 28, 2001. We also have audited the compliance of Mercer County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 28, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Mercer County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1.**County Expenditures**

- A. Billing statements were not always reconciled to invoices prior to payment nor did the County Clerk's office check the expenditure system to ensure payment had not already been made. As a result, the county made duplicate payments on several invoices totaling approximately \$16,000 during the two years ended December 31, 2000. The vendors refunded these amounts to the county; however, there is no assurance that all duplicate payments have been identified. To prevent duplicate payment billing statements should be reconciled to invoices prior to payment.
- B. The county does not always solicit bids or retain bid documentation. Our review noted the following concerns:
- 1) During the year ended December 31, 2000, the county spent approximately \$35,000 on health insurance. The County Commission indicated insurance rates were discussed with three carriers; however, written proposals were not received.
 - 2) The County Commission indicated bids were solicited for repairs to a loader totaling approximately \$16,000. However, there was no documentation indicating who bids were solicited from or estimates received.

Section 50.660, RSMO 2000 requires the advertisement of bids for all purchases of \$4,500 or more. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business.

Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request proposal, newspaper publication notices when applicable, bids received, the basis and justification for awarding bids, and documentation of all discussions with vendors.

- C. An Associate County Commissioner receives royalties from a local rock quarry with which the county does business. The Associate Commissioner indicated that he abstains from voting on decisions to purchase gravel from the quarry; however, the abstentions are not documented in the minutes. This situation constitutes a potential conflict of interest and may be in violation of state law.

Section 49.140, RSMo 2000, provides that, "no County Commissioner shall, directly or indirectly, become a party to any contract to which the county is a party...".

WE RECOMMEND County Commission:

- A. Ensure billing statements are supported by invoices prior to payment.
- B. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of all bids obtained. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.
- C. Consult legal counsel and determine whether this situation is in violation of state law. At a minimum, the Associate Commissioner should abstain from voting on matters related to the quarry and the circumstances should be clearly documented in the minutes.

AUDITEE'S RESPONSE

- A. *The County Commission indicated the recommendation will be implemented. At least some of the duplicate payments occurred when staffing was down and the County Clerk's office was short handed.*
- B. *The County Commission will do a better job documenting purchasing decisions.*
- C. *The County Commission disagrees with the recommendation. The townships decide which quarries to purchase from rather than the County Commission. In addition, the Associate County Commissioner who receives royalties indicated he files a disclosure statement.*

2. Ex-Officio County Collector's Controls and Procedures

The method of payment received (cash, check, and money order) is not consistently indicated on the paid tax receipts. Additionally, the tax receipts are not reconciled to the composition of bank deposits. The Ex Officio County Collector posts the paid tax bills to the computer at the end of the month and, as a result, does not generate a daily abstract. To properly reconcile receipts to deposits and ensure all monies are being deposited intact, a daily abstract should be generated and the method of payment should be reconciled to the composition of deposits.

WE RECOMMEND the Ex Officio County Collector record the method of payment on each paid tax statement and reconcile the composition of receipts to the paid tax bills and to bank deposits. Furthermore, a daily abstract should be prepared and reconciled to bank deposits.

AUDITEE'S RESPONSE

The Ex Officio County Collector has implemented the recommendation.

3.**Computer System Controls**

The county utilizes a network of computers for its property tax system and its financial accounting system. We noted the following concerns related to the computer system:

- A. The Treasurer/Ex Officio County Collector and the County Clerk have access and update capabilities which are not necessary for the performance of their duties. The Treasurer/Ex Officio County Collector has the capability to add new accounts and change existing accounts on the property tax portion of the computer system and also has the capability to access, update, and edit the County Clerk's records on the computer system. The County Clerk's office has access and update capabilities in the property tax system and County Treasurer's records. Any employee with knowledge of the correct password can access unauthorized areas of the system. The capability weakens internal controls over property tax collections and financial records. Changes to the various records should be limited to those individuals who need such access for the performance of their duties.
- B. Passwords used by the Assessor's office, the County Clerk's office and the Treasurer/Ex Officio County Collector's office have not been changed since the original computer system was installed in 1990. In addition, passwords have not been kept confidential. Passwords should be changed periodically and kept confidential to reduce the possibility of unauthorized use.
- C. The county does not have a formal contingency plan for the computer system in case of emergency. As a result, the county has not formally negotiated arrangements for backup facilities in the event of a disaster. The major benefit of thorough contingency planning comes from the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the county.

Similar conditions were noted in prior audit reports.

WE RECOMMEND the County Commission:

- A. Consider changes to the computer programs that restrict access and update capabilities to only those individuals needing such access for the performance of their duties.
- B. Ensure employees passwords are periodically changed and kept confidential.
- C. Develop a formal contingency plan including arrangements for use of alternative data processing equipment during emergency situations.

AUDITEE'S RESPONSE

The recommendations will be implemented by October 1, 2001.

4. Sheriff's Accounting Controls and Procedures
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- A. Accounting duties are not adequately segregated. One clerk is primarily responsible for receiving monies, preparing deposits, and maintaining the accounting records; however, all employees in the Sheriff's department can receive monies. There are no documented reviews of the accounting records by the Sheriff.

To adequately safeguard assets, the cash custody and record-keeping functions should be segregated where possible. If proper segregation cannot be achieved, at a minimum, periodic supervisory reviews should be performed and documented.

- B.1. Receipts are not deposited on a timely basis. Receipts are generally deposited one or two times a month. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed \$100.
2. The composition and amount of recorded receipts is not reconciled to bank deposits. To ensure that receipts are deposited intact, the composition and amount of recorded receipts (cash, checks, and money orders) should be reconciled to bank deposits.
3. Receipts are not posted to the cash control records on a timely basis. Receipts are posted to the cash control records once a month. To ensure all monies received are properly recorded and accounted for, receipts should be posted to cash control records on a timely basis.
- C. Bank reconciliations are not prepared for the Sheriff's bank account. Monthly bank reconciliations should be prepared and reconciled to the open items listing to ensure records are in balance and sufficient funds are available for payment of all liabilities.
- D. Bond forms are not prenumbered and prenumbered receipt slips are not issued for some bond monies received. Some bond monies are transmitted directly to the Mercer County Associate Circuit Court and are not deposited into the Sheriff's bank account. Receipt slips from the court are not retained to document the turnover of these cash bonds.

To adequately safeguard bond receipts and reduce the risk of loss or misuse of funds, bond forms should be prenumbered, should indicate the method of payment, and the numerical sequence of the bond forms should be accounted for properly. In addition, to ensure bond receipts are accounted for properly bond receipts should be deposited and disbursed by check, or receipt slips should be retained for any bonds that are given directly to the court.

- E. The Sheriff's department bills other counties for boarding prisoners. The payments for these services are deposited into the Sheriff's bank account and disbursed to the County Treasurer at the end of the month. In addition, reconciliations between billing statements and payments are not performed.

Proper controls over revenues require the billing function to be segregated from the receipt function. The billing statements should request payment be made directly to the County Treasurer. Unpaid board bills should be monitored and appropriate follow-up action taken to ensure county costs are recouped.

- F. The Sheriff maintains a bank account for soda sales and indicated the proceeds are personal funds. According to the Sheriff, only monies generated from soda sales are deposited into this account. A dispatcher in the Sheriff's department retains the proceeds from snack sales. Since these sales are handled by county employees on county property an accounting should be made of the proceeds; however, the Sheriff would not provide any records related to these monies. It is unclear as to why the Sheriff would not want some accountability over these monies. The County Commission should follow up on this situation and assume responsibility for or require an accounting of these funds.

WE RECOMMEND the Sheriff:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B.1. Deposit receipts daily or when accumulated receipts exceed \$100.
 - 2. Reconcile the composition and amount of recorded receipts to the composition and amount of bank deposits.
 - 3. Post all receipts to cash control records on a timely basis.
- C. Prepare monthly bank reconciliations and reconcile the cash balance to open items.
- D. Ensure prenumbered bond forms are used and account for the numerical sequence. In addition, bond monies should be deposited into the Sheriff's bank account, or, if bond monies are transmitted directly to the courts, ensure receipt slips from the courts are retained.

- E. Ensure billing statements stipulate that payments be made directly to the County Treasurer. In addition, reconciliations between billing statements and payments should be performed and follow-up action taken on board bills not received.
- F. And County Commission discuss the appropriate handling and accountability of soda and snack sale monies.

AUDITEE'S RESPONSE

The Sheriff indicated:

- A. *He will periodically review the accounting records. In addition, when monies are collected after business hours if an officer is available the officer will collect the monies and issue a receipt. During business hours the secretary will continue to collect monies. If the secretary is not available the Sheriff will collect monies and issue receipts.*
- B.1. *He will continue with the current procedures. If a large bond is collected it is deposited by the next day.*
- B.2.
- &3.,
- C&E. *The recommendations have been implemented.*
- D. *The recommendation will be implemented. Prenumbered bond forms have been ordered.*
- F. *He disagrees with the recommendation. He indicated the County Commission is not involved because these are considered personal funds. The Sheriff will consider discontinuing this practice.*

The County Commission indicated records will be requested from the Sheriff and reviewed for propriety.

5.	General Fixed Asset Records and Procedures
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The County Commission or its designee is responsible for maintaining a complete, detailed record of county property. However, the general fixed asset listing has not been updated nor has a physical inventory been completed since 1995. Examples of items purchased which were not included on the fixed asset listing include a truck costing approximately \$22,000, a mower costing \$25,000, excavating equipment costing approximately \$123,000, and a brush sheer costing \$4,500.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the county clerk. The reports required by this section shall be signed by the county clerk.

Similar conditions were noted in a prior audit.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for fixed assets. Besides providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all fixed asset purchases and dispositions should be recorded as they occur and purchased items should be tagged or identified as county-owned property upon receipts.

AUDITEE'S RESPONSE

The County Commission will implement the recommendation by January 2002.

6. Revenue Maximization

- A. There is no documentation to support how the amounts charged for dispatching and law enforcement services were determined. In addition, contracts for dispatching services are not current. The county provides dispatching services for a local business and an ambulance district and law enforcement services for a city. Cost analyses of providing the dispatching and law enforcement services have not been performed and contracts for the dispatching services have not been updated for several years.

Contracts for services provided to other entities should cover the costs of providing such services and should be maintained on a current basis. Without a cost analysis, the county cannot ensure the costs of providing services are recovered.

- B. The county does not properly monitor reimbursement for projects under the Highway Planning and Construction program. One reimbursement of \$1,106 which was submitted to the Missouri Department of Transportation (MODOT) in July 2000 was not received by the county until July 2001. Two other potential claims were not submitted to MODOT for reimbursement. The federal share of the unclaimed expenditures totaled \$2,509 and \$860 and were incurred in December and March 2000, respectively.

Failure to monitor reimbursements could result in the loss of revenue.

WE RECOMMEND the County Commission:

- A. Perform and document cost analyses of providing services to other entities. In addition, the County Commission should ensure all contracts are maintained on a current basis.
- B. Monitor bridge project reimbursement claims to ensure that claims are submitted and reimbursements are received in a timely manner.

AUDITEE'S RESPONSE

- A. *The County Commission indicated a cost analysis will be prepared and the contracts will be reviewed within the next six months.*
- B. *The County Commission will discuss policies and procedures with the engineer regarding claims and reimbursements and will monitor reimbursements.*

7. County Commission Minutes

- A. The daily business of the County Commission is not adequately documented in the County Commission minutes. For example, the minutes do not refer to all bids received. In addition, the typed minutes are not reviewed and signed by the Presiding Commissioner or an Associate Commissioner in his absence. Finally, the minutes are not prepared in a timely manner. As of May 2001, the last entry in the minutes was for the February 2001 meeting.

Section 51.120, RSMo 2000, requires the County Clerk to keep an accurate record of the orders, rules, and proceedings of the County Commission. Timely preparation and approval not only ensures authenticity of official minutes, but allows a review of the contents to ensure that the minutes include all important information regarding the meetings held.

- B. Proper notice was not always given for the County Commission meetings as required. The County Commission does not post an agenda for meetings.

Section 610.020, RSMo 2000, requires all public governmental bodies to give notice of the time, date, and place of each meeting, and its tentative agenda in a reasonable manner to advise the public. Notice shall be given at least twenty-four hours prior to the commencement of any meeting.

- C. The County Clerk does not prepare minutes for the closed session of meetings of the County Commission. The County Commission held four closed sessions during the two years ended December 31, 2000, and while the regular meeting minutes did appear to disclose the reason for entering into closed session, minutes were not maintained for the closed portion of the meetings. In addition, it is not evident that the final disposition of matters discussed in closed meetings is made public.

Minutes constitute the official record of proceedings of the County Commission. Without adequate minutes, the County Commission cannot demonstrate that actions taken or business conducted during closed sessions related solely to the specific allowable reason announced for closing the meeting.

WE RECOMMEND the County Commission:

- A. Ensure a complete record of the meetings is prepared and approved on a timely basis.
- B. Ensure timely, accurate, and complete notice is given for all meetings of the board as required by law.
- C. Prepare minutes for all closed meetings.

AUDITEE'S RESPONSE

A&C. The County Commission will implement the recommendation.

B. The County Commission has implemented the recommendation.

8. Associate Commissioners' Salaries

Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Mercer County's Associate County Commissioners salaries were each increased approximately \$6,065 yearly.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county, and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$12,130 for the two year term ended December 31, 2000, should be repaid; however, the County Commission has not evaluated the impact of the decision. In addition, in light of the ruling, any other raises given to other officials within their term of office should be re-evaluated for propriety.

WE RECOMMEND the County Commission review the impact of this decision and develop a plan for obtaining repayment of the salary overpayments.

AUDITEE'S RESPONSE

The County Commission will discuss this matter with legal counsel and the salary commission. A decision will be made by January 2002.

This report is intended for the information of the management of Mercer County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

MERCER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Mercer County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Bidding Procedures and County Expenditures

- A. Bids were not always solicited or advertised by the county nor was bid documentation always retained for various purchases.
- B. The county purchased equipment from the Road and Bridge supervisor. The equipment purchases were made without public notice and supporting documentation was not available to show that a competitive bidding process was used in acquiring the equipment.
- C. The County Commission approved some payments to vendors without requiring adequate supporting documentation.
- D. Some payments for services were made without written agreements or where contracts were not approved by the County Commission.

Recommendation:

The County Commission:

- A. Solicit bids for all items in accordance with state law. Documentation of bids and justification for bid awards should be retained by the County Clerk. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the necessitating circumstances.
- B. Ensure all purchases from employees are properly bid and made in accordance with state law.
- C. Require adequate documentation such as invoices and an indication of receipt of goods be submitted before payments are approved. In addition, the County Commission should ensure all vouchers are approved by the Commission prior to payment.
- D. Ensure all contracts and leases are in writing and approved by the County Commission.

Status:

A&C. Not implemented. See MAR No. 1.

B. Implemented. No purchases from employees were noted.

D. Partially implemented. The county entered into written agreements related to dispatching services; however, we noted other instances where written contracts were not obtained. Although not repeated in the current report, our recommendation remains as stated above.

2. Budgetary Practices

Actual expenditures were in excess of approved budgeted expenditures during the two years ended December 31, 1996.

Recommendation:

The County Commission not authorize expenditures in excess of appropriations.

Status:

Not implemented. Actual expenditures exceeded approved budgeted expenditures by insignificant amounts for various funds during the two years ended December 31, 2000. Although not repeated in the current report, our recommendation remains as stated above.

3. County Clerk's Controls and Procedures

A. The County Clerk did not issue receipt slips for all monies received and receipts were not always recorded on the clerk's monthly statement of fees. In addition, the County Clerk occasionally made cash payments from cash on hand for items such as postage, overnight delivery, and other minor purchases. As a result, not all monies collected were turned over to the county.

B. The County Clerk did not update fixed asset records on a timely basis or reconcile equipment purchases to fixed asset additions. In addition, the County Clerk did not perform quarterly inspections of all county lands and buildings or an annual inventory of all county property.

Recommendation:

The County Clerk:

- A. Issue receipt slips for all monies received, record all collections on the monthly statement of fees, and remit all collections intact to the County Treasurer. If considered necessary, a petty cash fund should be established by the County Commission and maintained on an imprest basis.
- B. Maintain complete fixed asset records by ensuring that all purchases and deletions of fixed assets are properly recorded on the fixed asset records. To help ensure the accuracy of records, the County Clerk should reconcile equipment purchases to additions made to fixed asset records. In addition, the County Clerk should perform quarterly inspections and annual inventories as required by state law.

Status:

- A. Implemented.
- B. Not implemented. See MAR No. 5.

4. Sheriff's Controls and Procedures

- A. Vehicle usage logs were maintained for the county-owned patrol cars; however, these logs were not always complete and were not reviewed by the Sheriff or County Commission for reasonableness. Trip purpose and destination were often not recorded on the logs.
- B. The Sheriff received mileage and per diem fees from the state for taking convicted offenders to a designated center. The Sheriff deposited the monies in his official bank account and then issued checks to the deputies and himself for travel expenses. As compensation for their time, the deputies were also paid the amount of the state reimbursement for guard mileage and per diem. The balance of the accountable fee was then remitted to the County Treasurer. Any costs incurred in transporting convicted offenders should have been billed to and paid by the county. Any full-time county employee serving as a guard should have been compensated under normal county payroll procedures, calculating hours worked and any overtime incurred.
- C. In 1995, the Sheriff began developing a listing of seized property being held; however, this listing was not complete.

Recommendation:

The Sheriff:

- A. Ensure complete vehicle usage reports are prepared and maintained for all vehicles. In addition, the Sheriff should review these logs for reasonableness and file the logs with the County Commission.
- B. Ensure future prisoner transportation payments received from that state are turned over to the County Treasurer. Deputies and employees who serve as guards should only be paid their normal salary for the amount of time spent. If reimbursable expenses are incurred by the Sheriff and his employees, reimbursement should be claimed only for actual miles driven in personal cars or for other actual expenses incurred.
- C. Maintain a complete and accurate listing of all seized property.

Status:

- A. Partially implemented. The Sheriff indicated he reviews the vehicle usage logs; however, the review is not documented. Although trip purpose and destination were usually indicated on the logs, we noted instances where this information was not documented. Although not repeated in the current report, our recommendation remains as stated above.

B&C. Implemented.

5. Health Center

- A. The Board of Trustees approved expenditures in excess of budgeted amounts.
- B. Accounting and receipting duties were not adequately segregated.
- C. Checks were not restrictively endorsed upon receipt.

Recommendation:

The Health Center Board of Trustees:

- A. Not authorize expenditures in excess of budgetary limits.
- B. Ensure adequate segregation of accounting and receipting duties to the extent possible. At a minimum, the Health Center Administrator should perform documented reviews of the work performed.

- C. Restrictively endorse checks/money orders immediately upon receipt.

Status:

- A. Implemented for the year ended December 31, 2000.
- B. Partially implemented. Accounting and receipting duties are not adequately segregated; however, the Health Center Administrator performs documented reviews of bank reconciliations. Although not repeated in the current report, our recommendation remains as stated above.
- C. Implemented.

6. Township Collectors' Bonds and Commissions

- A. For the two years ending December 31, 1996, various townships collectors' bonds were insufficient by amounts ranging from \$2,000 to \$100,000.
- B. Commissions for the Lindley Township Collector were incorrectly computed for December 1996. As a result, \$617 was improperly retained and not distributed to other county funds and political subdivisions.

Recommendation:

The County Commission:

- A. Take necessary action to ensure all township collectors' bonds are in compliance with state law.
- B. Ensure township collectors' commissions are calculated properly. In addition, current commissions for the Lindley Township Collector should be reduced by \$617 and this amount distributed to the county funds and political subdivisions.

Status:

Implemented.

7. County Road and Bridge Tax Levy

During the two years ended February 28, 1997, the taxpayers of Mercer County paid approximately \$130,000 in taxes for a county road and bridge levy which was not authorized by constitutional or statutory provisions. In April 1979, county voters approved a ballot issue allowing the County Commission to levy a tax for county road and bridge purposes, not to exceed 15 cents on \$100 of assessed valuations, with the option to reduce this tax if not needed. From 1983 to 1996, this road and bridge tax levy, ranging from 13 to 15 cents, had

been in effect for all years except 1986. Since Mercer County is a township-organized form of government, constitutional and statutory provisions relating to local taxation provided no authority for the County Commission to levy this tax.

Recommendation:

The County Commission review this situation with the county Prosecuting Attorney and give consideration to discontinuing the county road and bridge tax. If it is necessary for the county to generate additional tax revenues, the constitution and statutes authorizing county taxes should be carefully reviewed to determine what additional taxes would be available, with voter approval.

Status:

Implemented. The Special Road and Bridge tax levy was discontinued in 1998.

8. Computer System Controls

- A. The Treasurer and Ex Officio County Collector and the County Clerk had access and update capabilities which were not necessary for the performance of their duties. The Treasurer and Ex Officio County Collector had the capability to add new accounts and change existing accounts on the property tax portion of the computer system and also had the capability to access, update, and edit the County Clerk's records on the computer system. The County Clerk's office had access and update capabilities in the Ex Officio County Collector's property tax system and County Treasurer's records. Any employee with knowledge of the correct password could access unauthorized areas of the system.
- B. Passwords used by the Assessor's office, the County Clerk's office and the Treasurer had not been changed since the original computer system was installed several years ago. Passwords had not been kept confidential.
- C. The County did not have a formal contingency plan for the computer system in case of emergency.

Recommendation:

The County Commission:

- A. Consider changes to the computer programs that restrict access and update capabilities to only those individuals needing such access for the performance of their duties.
- B. Ensure employee passwords are periodically changed and kept confidential.

- C. Develop a formal contingency plan including arrangements for use of alternate data processing equipment during emergency situations.

Status:

Not implemented. See MAR No. 3.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MERCER COUNTY MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Mercer was named after Hugh F. Mercer, a Revolutionary War general. Mercer County is a township-organized, third-class county and is part of the Third Judicial Circuit. The county seat is Princeton.

Mercer County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Mercer County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 197,627	11	196,411	18
Sales taxes	249,477	14	217,105	20
Federal and state aid	1,159,390	65	539,433	49
Fees, interest, and other	181,711	10	152,872	13
Total	\$ 1,788,205	100	1,105,821	100

The following chart shows how Mercer County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 350,268	20	307,779	20
Public safety	256,529	15	231,904	15
Highways and roads	1,113,668	65	984,279	65
Total	\$ 1,720,465	100	1,523,962	100

The county maintains approximately 153 county bridges and 405 miles of county roads.

The county's population was 4,910 in 1970 and 3,723 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	2000	1999	1985*	1980**	1970**
	(in millions)				
Real estate	\$ 26.6	26.4	21.3	14.9	11.9
Personal property	16.9	13.5	6.5	6.7	4.4
Railroad and utilities	6.5	6.3	1.4	1.5	1.2
Total	\$ 50.0	46.2	29.2	23.1	17.5

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Mercer County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,	
	2000	1999
General Revenue Fund	\$.35	.31
Health Center Fund	.10	.10

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28 (29),	
		2001	2000
State of Missouri	\$	15,234	14,189
General Revenue Fund		178,799	144,387
Special Road and Bridge Fund		995	1,509
Assessment Fund		35,668	33,009
Health Center Fund		50,244	46,808
Townships		55,701	52,681
Townships road and bridge		214,312	198,352
Townships special road and bridge		113,409	103,902
School districts		2,229,659	2,058,012
Library district		99,307	92,466
Ambulance district		165,367	153,985
Fire protection district		146,960	136,767
Cities		31,843	31,029
County Clerk		206	197
County Employees' Retirement Fund		5,310	5,515
Other		2,619	6,231
Commissions and fees:			
Ex-Officio County Collector		257	289
Township collectors		28,591	26,811
General Revenue Fund		25,196	21,674
Total	\$	<u>3,399,677</u>	<u>3,127,813</u>

Percentages of current taxes collected were as follows:

		Year Ended February 28 (29),	
		2001	2000
Real estate		94.6 %	94.2 %
Personal property		93.8	94.2
Railroad and utilities		100.0	100.0

Mercer County also has the following sales taxes; rates are per \$1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	\$.005	None	50 %
General		.005	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Clifford Shipley, Presiding Commissioner	\$	20,612	20,612
Jane Lowrey, Associate Commissioner		18,612	18,612
Robert E. Jones, Associate Commissioner		18,612	18,612
Carolyn Kost, County Clerk		28,200	28,200
Jay Hemenway, Prosecuting Attorney		35,720	35,720
Duane Hobbs, Sheriff		31,020	31,020
Michael Greenlee, County Coroner		4,230	4,230
Carolyn Sealine, Public Administrator *		10,812	9,812
Ray Woodward, Treasurer and Ex Officio County Collector**, year ended March 31,	22,382	22,414	
Joe Berger II, County Assessor ***, year ended August 31,		29,100	29,100

* Includes fees received from probate cases.

** Includes \$257 and \$289 retained for city collections during the years ended February 28, 2001 and 2000, respectively.

*** Includes \$900 annual compensation received from the state.

State-Paid Officials:

Patricia Stamper, Circuit Clerk and Ex Officio Recorder of Deeds	46,127	44,292
Andrew A. Krohn, Associate Circuit Judge	97,382	87,235

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission	1	0
Circuit Clerk and Ex Officio Recorder of Deeds	0	2 *
County Clerk	1	0
Prosecuting Attorney	1	0
Sheriff	8 **	0
County Assessor	2	0
Associate and Probate Division	0	2 *
Road and Bridge	5	0
Health Center	9 ***	0
Total	<u>27</u>	<u>4</u>

* Includes one part-time employee.

** Includes two part-time employees.

*** Includes four part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Mercer County's share of the Third Judicial Circuit's expenses is 13.39 percent.